

**AUDIT COMMITTEE  
OF THE CITY OF SAN DIEGO**

**Council President Pro Tem Kevin Faulconer, Chair  
Councilmember Carl DeMaio, Vice Chair  
Committeemember Wade McKnight  
Committeemember Charles Sellers  
Committeemember Steve Grant**

**ACTIONS FOR  
MONDAY, FEBRUARY 7, 2011, AT 9:00 A.M.**

**COUNCIL COMMITTEE ROOM (12TH FLOOR),  
CITY ADMINISTRATION BUILDING  
202 C STREET, SAN DIEGO, CALIFORNIA**

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Committee members present: Faulconer, DeMaio, Sellers, Grant

Committee members not present: McKnight

NON-AGENDA PUBLIC COMMENT: None.

COMMITTEE COMMENT: Chair Faulconer requested an update from the Office of the Independent Budget Analyst on the recruitment of a new Audit Committee member.

Jeff Kavar of the Office of the IBA reported he received a second application from a candidate for the public member of the Audit Committee vacancy. As required by section 39.1 of the City Charter, a screening committee must meet to vet the qualifications of the two candidates and forward its recommendation to the City Council.

Committee member Sellers requested the IBA's office forward information on the two candidates to the Audit Committee once this information is made public.

CITY ATTORNEY, IBA, AND MAYORAL STAFF COMMENT: None.

ADOPTION AGENDA

Approval of the Record of Action Items for January 10, 2011

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ACTION: Motion by Committee member Grant, second by Chair Faulconer, to approve.

VOTE: 3-0; Faulconer-yea, DeMaio-not present, Grant-yea, McKnight-not present, Sellers-yea

**INFORMATION ITEMS**

ITEM-1: Report from the City Auditor regarding AUDIT ACTIVITY [PowerPoint](#)

ACTION: Information item. No action taken.

Councilmember DeMaio requested an update at the March 7, 2011, Audit Committee meeting from the Centre City Development Corporation (CCDC) on its implementation of recommendations from the City Auditor's CCDC audit, specifically related to a recommendation that CCDC amend its bylaws to prohibit lobbying activity by CCDC staff unless authorized by the Redevelopment Agency Board.

Chair Faulconer will request CCDC comment on this issue in March as part of the presentation of the City Auditor's Audit Recommendation Follow-up Report.

ITEM-2: [Update from the Outside Auditor \(Macias Gini O'Connell\)](#) regarding the FISCAL YEAR 2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AUDIT

ACTION: Information item. No action taken.

**DISCUSSION/ACTION ITEMS**

ITEM-3: [Report from City Auditor](#): PERFORMANCE AUDIT OF STREET MAINTENANCE [PowerPoint](#) [OCA News](#)

ACTION: Motion by Councilmember DeMaio, second by Committee member Sellers, to move the report to the full City Council with the recommendation of the Audit Committee, with two additional requests:

- 1) The new Transportation and Storm Water Department work with the City Auditor's office to establish a baseline for total project delivery time for Fiscal Year 2010, to be used as a performance measurement in

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order to assess the improvements brought by the new organizational structure;

- 2) The Mayor's office present concurrently with this report to full City Council a deferred maintenance funding and assessment methodology that can be included as part of the Five Year Financial Plan that will show the necessary funding each year to simply maintain the current condition of City street assets.

Chair Faulconer requested a response in 90 days from Department Director Mario Sierra as to whether the new Transportation and Storm Water Department could do the work of the Engineering and Capital Projects Department's Field Engineering Division, which inspects project contracts and approves the work contractors perform.

Councilmember DeMaio also requested Mr. Sierra and City Auditor Luna look at other models from around the country to determine whether the City should consider consolidating other elements into the new department.

VOTE: 4-0; Faulconer-yea, DeMaio-yea, Grant-yea,  
McKnight-not present, Sellers-yea

ITEM-4: Review of the [REDEVELOPMENT AGENCY FISCAL YEAR 2010 FINANCIAL STATEMENT AUDIT](#) [PowerPoint](#)  
[MGO Report](#) [MGO PowerPoint](#)

ACTION: Motion by Committee member Grant, second by Chair Faulconer, to receive and file the Redevelopment Agency's Fiscal Year 2010 Financial Statement Audit and forward to the full City Council.

VOTE: 3-1; Faulconer-yea, DeMaio-nay, Grant-yea,  
McKnight-not present, Sellers-yea

ITEM-5: Review of the SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION (SEDC) [FISCAL YEAR 2010 FINANCIAL STATEMENT AUDIT](#) [PowerPoint](#) [Leaf PowerPoint](#)

ACTION: Motion by Committee member Sellers, second by Chair Faulconer, to receive and file the audit and forward to the City Council.

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VOTE: 3-0; Faulconer-yea, DeMaio-not present, Grant-yea,  
McKnight-not present, Sellers-yea

ITEM-6: [Report from the City Comptroller](#): ANNUAL REPORT ON INTERNAL CONTROLS

Motion by Councilmember DeMaio, second by Chair Faulconer, to accept and forward the staff report to the City Council, and to request that the Comptroller's office work with the City Auditor on a scope for a project plan that would apply selected review procedures to the following areas of transaction: procure-to-pay, capital assets, and payroll process; and to report back to the Audit Committee with this information no later than April 2011.

VOTE: 4-0; Faulconer-yea, DeMaio-yea, Grant-yea,  
McKnight-not present, Sellers-yea

ITEM-7: [Presentation from the City Auditor](#) regarding the QUARTERLY FRAUD HOTLINE REPORT – QUARTER 2 FISCAL YEAR 2011 [PowerPoint](#)

ACTION: Motion by Committee member Grant, second by Chair Faulconer, to accept the report.

VOTE: 3-0; Faulconer-yea, DeMaio-not present, Grant-yea,  
McKnight-not present, Sellers-yea

ITEM-8: [Report from the City Auditor](#) regarding MANAGED COMPETITION COST COMPARISON TOOL TESTING [PowerPoint](#)

ACTION: Motion by Committee member Grant, second by Chair Faulconer, to accept the City Auditor's report.

VOTE: 4-0; Faulconer-yea, DeMaio-yea, Grant-yea,  
McKnight-not present, Sellers-yea

Kevin Faulconer  
Council President Pro Tem